

CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

Executive Registry

35-5562/1A
OGA GAO

OLC 75-1500/a

15 AUG 1975

Honorable Elmer Staats
Comptroller General of the United States
General Accounting Office
Washington, D.C. 20548

Dear Mr. Staats:

This is in response to your recent letter requesting the assistance of the Central Intelligence Agency in developing "inventory of sources and information systems containing fiscal, budgetary, and program-related data and information."

The Central Intelligence Agency maintains an information system containing fiscal, budgetary, and program-related data. The system derives data from components throughout the organization under central management, guidance and control. On 6 August 1975, I testified in open session before the House Select Committee on Intelligence concerning the Agency's budget policies and procedures. I am enclosing the relevant portions of my statement in the hope it will be of assistance in your efforts.

As you know, the Central Intelligence Agency was established by the National Security Act of 1947 to coordinate the intelligence activities of the United States, to correlate, evaluate and disseminate foreign intelligence, and to perform other functions and duties related to intelligence, and affecting the national security. The secrecy which is essential to the success of these intelligence operations must extend to the processes for funding these operations. Congress' recognition of this fact is reflected in certain funding authorities provided for in the Central Intelligence Agency Act of 1949 and in the special oversight procedures adopted by Congress, concentrating responsibility and controlling access to sensitive intelligence budgetary information.

Budgetary data concerning this Agency is sensitive information which must be strictly protected. Under the congressionally-established procedures referred to above, the Agency reports directly to the Armed Services and Appropriations Committees of both Houses concerning budget-related matters.



I believe that disclosure of further details concerning the Agency's budgetary system, beyond those herein provided, would downgrade its security and ultimately risk the betrayal of sensitive intelligence sources and methods, which I am obligated to protect pursuant to section 102(d)(3) of the National Security Act of 1947. Therefore, it would be inconsistent with the responsibilities imposed upon me by the Congress under existing law and with the existing legislative and budgetary oversight procedures for me to furnish further information on this matter.

Sincerely,

~~W. E. Colby~~

W. E. Colby
Director

Attachment As Stated

Distribution:

Orig. - Addressee w/att

1 - DCI

1 - DDCI

1 - ER

1 - Compt.

1 - Audit Staff

1 - OF

1 - OLC/Subj. w/basic 1 OLC/Chrono

OLC/WPB/dlw (11 Aug 1975)

STAT

AUG 14 5 41 75

AUG 15 9 45 AM '75

ER

CIA BUDGET POLICIES AND PROCEDURES

The CIA has duties, responsibilities and authorities that differ in a number of ways from other US Government agencies, Mr. Chairman, and our financial procedures for dealing with the outside world are unusual. But however unconventional and secret our activities may be, we are very conventional in our internal budgetary practices and our financial controls. I think you will find that many of the details I am about to give you could as well describe any other Federal agency or department-- although I am inclined to believe that we may be somewhat more conscientious about money matters than the average.

Our CIA budget system closely parallels that of all parts of the Federal Government. For any one fiscal year, planning, budgeting, approvals, appropriations and execution extend over a three-year period. At any particular moment, we are therefore dealing with the current year, the upcoming Budget Year, and the subsequent Program Year. Our programs are developed internally, examined by OMB, submitted to the President for his decisions, and then submitted to Congress, where they are reviewed (and often cut) by the designated subcommittees of the Appropriations Committees in both House and Senate.

PROGRAM PREPARATION

The budget cycle in CIA begins in January with the issuance by the Comptroller of the Program Call, calling for estimates of resources to be required during the fiscal year beginning 18 months hence

and operating plans for the fiscal year beginning 6 months hence.

When the new fiscal year goes into effect, these lead times will extend to 21 and 9 months respectively. In January 1975, for example, a call was issued for program plans for fiscal year 1977 and operating plans (based on the previously-prepared program plan) for fiscal year 1976.

The Program Call goes from the Comptroller to the Deputy Directors. They distribute it to subordinate echelons with such supplementary guidance and instructions as they deem appropriate and establish schedules for the submission of data to allow time for their review and for compilation of an aggregate presentation to be submitted to the Comptroller. During February, March, and April program managers revise their previous estimates for the fiscal year about to begin and develop preliminary estimates for the fiscal year following, on the basis of discussions with other interested Agency components and Community elements. Entries into the computer data base are made during this time by components throughout the Agency. The computers produce printouts which array the data for the current year and the next two years for review. I have with me two Agency documents that will give you some insight into the processes involved. One is a training manual, which deals with a fictitious office, that explains budget preparation. The other describes the computerized financial resources system.

Computer programs are submitted in May to the Deputy Directors, who review the requests of their subordinate units and conducts "hearings" with program managers to validate the estimates. This permits each

Deputy Director to develop an aggregate program which he can support and defend. After this review process has been completed, the computer data base is revised to reflect the Deputy Director's decisions. The aggregate program for the Directorate is compiled and submitted to the Comptroller early in June for the Program Review.

PROGRAM REVIEW

The smallest unit in our computerized accounting system is the FAN (financial analysis number) account. There currently are about 2,100 FAN accounts, established to insure availability of planning and control data for management. For in-depth analysis by upper-level management, however, we look not at FAN accounts but at the next higher level of aggregation--Resource Packages, which currently number about 275.

The Resource Package is the central element of the internal CIA resource allocation system. Each Resource Package is a unit of activity to which resources are assigned for the achievement of a particular purpose or set of integrally related purposes. A Resource Package may be an organizational element, an operational activity, a project, a function or a group of related functions. It is chosen so as to give us the most meaningful way of examining the package, its activities, and its resource requirements.

For the Program Review, components provide a brief summary description of each Resource Package, followed by descriptions of major activities within the package, identification of major products and services, and major consumers. Each package submission also includes an evaluation of the accomplishment of each activity in the package through the previous year.

Evaluations are required to relate accomplishments to objectives and, to the extent practical, to the resources assigned. Disappointments, failures, or shortfalls and corrective actions taken or to be taken are described, as well as notable successes achieved. Reasons for year to year differences are spelled out, and any resource implications for the future which will follow from program decisions are identified.

The computerized accounting system arrays the financial data on all Resource Packages and summarizes it in three different ways:

- Organizationally. By Office, Division or Staff and by the four Directorates which are our major subelements.

- Functionally. By the nature of the activity--for example, clandestine collection, overt collection, information processing, production of finished intelligence, and communications.

- and by "object classes" similar to those used throughout the Government to designate salaries, fringe benefits, travel, utilities, and so forth.

The Comptroller reviews the personnel positions and dollars requested for each Resource Package, considering the functions performed and projected in relation to past performance and to relative importance as a part of the broader Directorate and Agency programs. The Agency program is then compiled as a package-by-package summary that includes both the positions, and dollars requested by the components and the positions and dollars

recommended for each package by the Comptroller. The Comptroller often recommends position and dollar levels lower than requested by the Directorates. The composite program is in book form that this year runs to 201 legal-sized pages including both statistical data and textual treatment of the problems and issues for the two years under discussion. In mid-July, it is presented to the Management Committee which is made up of the Deputy Directors and the heads of Independent Offices reporting directly to me.

The Management Committee reviews and discusses the issues with me, often debating the recommendations of the Comptroller. The Deputy Directors justify and defend their original requests or agree to adjust them in light of overall requirements. Within a day or two after this meeting, I meet with the Comptroller and his staff for a detailed review of the resources requested and recommended. Final decisions are reached during this review and become the Directorate "marks" for the fiscal years under consideration, in the current case FY 1976 and 1977.

The Comptroller immediately prepares a financial guidance letter from me to each of the Deputy Directors. These letters establish the program levels for funds and positions within which the Directorates must operate during the operating year and make plans for the budget year. Usually the appropriation for the operating year and OMB guidance for the program year will not have been received before these letters are issued and the instructions have to be qualified accordingly. The obligation rate for the operating year is controlled by the continuing resolution passed by the

Congress until the appropriation has been received, while the levels established in the financial guidance memorandums are used as the basis for preparation of the OMB budget.

In addition to establishing position and fund levels, the financial guidance letters place restrictions upon the authority of the Deputy Directors to reprogram between approved programs; identify certain key programs representing major investments or activities in which I have a particular interest; require supplemental reporting on certain specifically described types of actions; and assign responsibility and due dates for the review and study of organizational or substantive issues. They also contain a paragraph requiring that I be notified in advance of any planned endeavors that carry a significant risk of embarrassment to the Government in general or the Agency in particular. The latter provision was first spelled out in this memorandum, drafted by me when I was Executive-Director, which also details a number of the other general conditions that govern program execution. It replaced an earlier system of levels of approval determined by the amount involved, as in many cases a \$5 thousand expenditure could be more dangerous than a routine \$5 million one.

During August the components revise the computer data base and the supporting narrative as necessary to incorporate the newly-made decisions into the development of budget estimates for the next year. These are

submitted early in September to the Comptroller, who compiles the Agency budget request for submission to OMB by 1 October. The OMB examiner reviews the Agency budget, selecting issues for further examination. During late October and November he conducts detailed hearings on each selected issue with the operating officials of the responsible components. He can and does ask for and receive detailed information on any aspects of our activity which interest him. He then makes his recommendations to his own chain of command, and the review and decision process proceeds through OMB to the President and thence to Congress in the course of the year.

THE OPERATING YEAR

While budgets and program plans for the future are being prepared and reviewed, we are of course also executing a budget already presented to Congress. Each month, the computer system produces reports which show the status of obligations to date and provide projections to year end based on that experience. These reports are reviewed by the Comptroller; after the first quarter of the fiscal year has passed and some trends have been established, the Comptroller and his staff meet monthly with the Deputy Directors and the Director of Finance. At these meetings, the overall status of obligations is compared with pre-planned rates, reasons for unexpected deviations are examined, and potential shortages and surpluses in individual components are identified and discussed.

Throughout the year, new requirements develop--because of a change in world conditions, a new technological development, or a change elsewhere in the US Government such as the passage of new legislation affecting the rules under which Federal Departments and Agencies conduct their programs. Legislative requirements are clearly obligatory; last year, for example, the resource system had to adjust to a limit on travel expenditures that was imposed and subsequently lifted and to the new demands of the Freedom of Information Act. Some world events also present us with unanticipated financial requirements that are nondiscretionary--for example, the turn of events in Southeast Asia last spring. Other new requirements are examined in terms of their consistency with the Agency's charter, their desirability, their priority in competition with other demands, and their urgency. Those which emerge from the examination as the most worthy of immediate consideration on all counts are then looked at in the light of funds that can be made available within the limits of existing policy guidance from the White House and our Congressional oversight committees.

As I am sure you can appreciate, the CIA has somewhat more need for financial flexibility than the average Government agency. We are confronted from time to time with requirements or opportunities of great urgency; if we are offered a document of tremendous intelligence value, we cannot tell the seller to return next year when we have had an opportunity to budget for it.

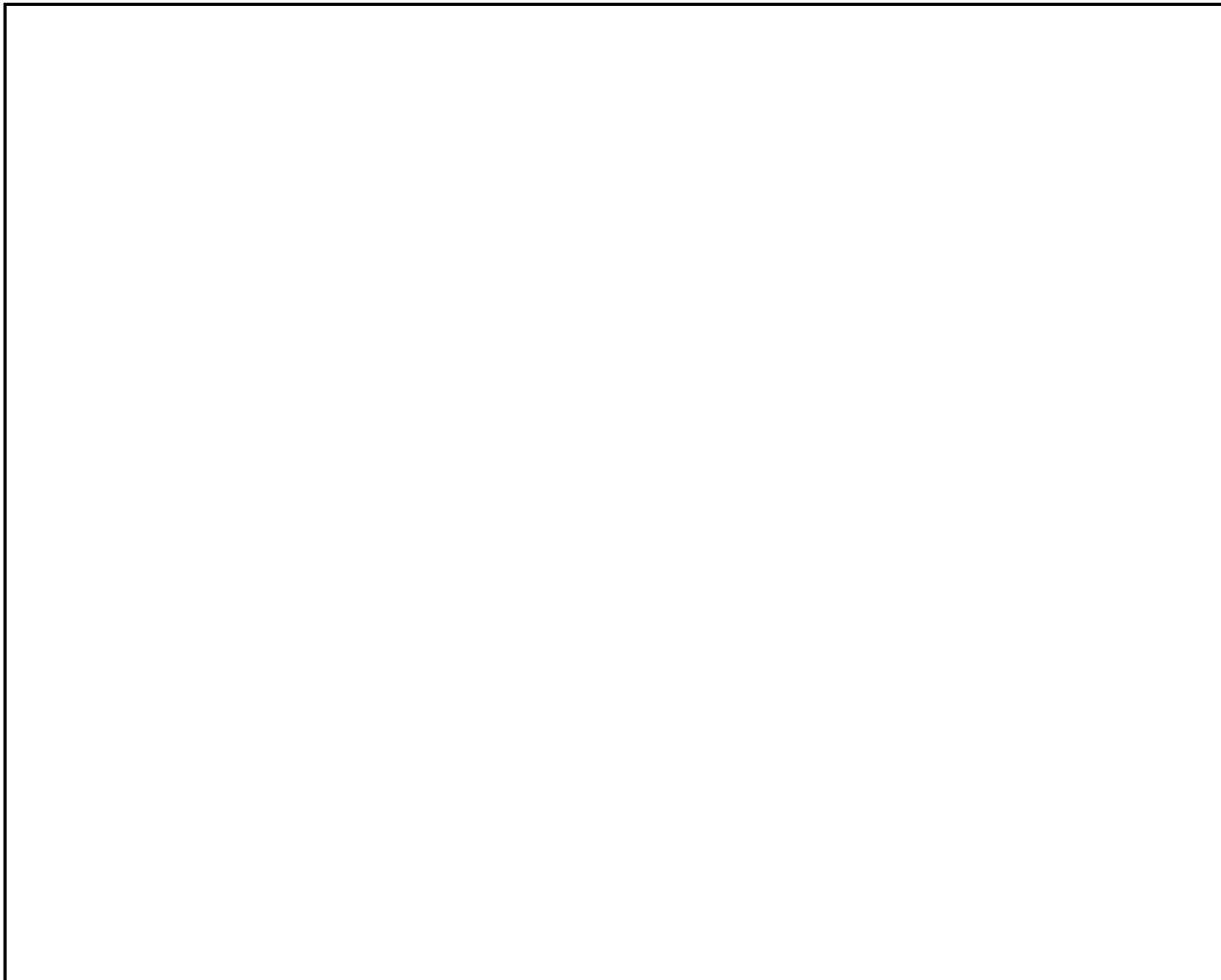
And we cannot ask the Congress to vote a supplemental appropriation without attracting exactly the sort of unwelcome attention from abroad that we are anxious to avoid. We can sometimes cover relatively small requirements by curtailing expenditures on other, lower priority activities. But our budgets are tightly drawn and leave us relatively little room for maneuver. Thus arrangements have been in existence for many years with OMB and the Appropriations Committees of the Congress to permit us to obtain additional funds for purposes approved at the appropriate policy levels when we believe additional money is necessary and OMB concurs. These are, of course, funds appropriated in accordance with law, and our oversight committees are kept informed on a current basis of all transactions from them.

After each monthly Comptroller's meeting, the Comptroller advises me of the current status of our financial accounts, his recommendations for funding urgent new needs, and the concurring or differing opinions of the four Deputies. I make the final decision on any large sum of money, and that decision is conveyed to the Comptroller and the Deputies and reflected in the financial accounting system.

Our need for financial flexibility is, of course, a reflection of our need for program flexibility. We cannot simply adhere to a rigid plan when the world around us is changing, but neither can we permit ourselves to simply react to events without frequently taking an overall

look at ourselves. Each Directorate therefore conducts program reviews during the year, in which each Deputy sits down with his subordinates and discusses progress to that time and plans for the remainder of the year. The timing of these reviews varies--the Operations Directorate and the Intelligence Directorate have semi-annual reviews, the Science and Technology Directorate follows a quarterly schedule, and the Administration Directorate has its conclave every two months. I am kept informed of all significant developments and proposed changes in approved plans.

STAT



STAT

Approved For Release 2005/07/13 : CIA-RDP77M00144R000600020022-3

Next 7 Page(s) In Document Exempt

Approved For Release 2005/07/13 : CIA-RDP77M00144R000600020022-3

dcl

UNCLASSIFIED	CONFIDENTIAL	SECRET
--------------	--------------	--------

Approved For Release 2005/07/13 : CIA-RDP77M00144R000600020022-3

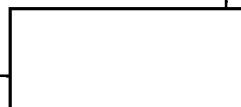
EXECUTIVE SECRETARIAT

Routing Slip

TO:	ACTION	INFO	DATE	INITIAL
1 DCI				
2 DDCI				
3 S/MC				
4 DDS&T				
5 DDI				
6 DDA				
7 DDO				
8 D/DCI/IC				
9 D/DCI/NIO				
10 GC				
⑪ LC	✓			
12 IG				
13 Compt		✓		
14 D/Pers				
15 D/S				
16 DTR				
17 Asst/DCI				
18 AO/DCI				
19				
20				
21				
22				
SUSPENSE _____ Date _____				

Remarks:

*Are we not exempt per
DCI's letter of 10 June?*



Approved For Release 2005/07/13 : CIA-RDP77M00144R000600020022-3

STAT



Approved For Release 2005/07/13 : CIA-RDP77M00144R000600020022-3

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

5562

Executive Registry
75-5562/1

B-115398

OLC 75-1500
Lsu OGA

The Honorable William E. Colby
Director, Central Intelligence
Agency

Dear Mr. Colby:

As mentioned in my letter dated March 28, 1975 (B-115398) concerning our inventory of recurring reports to the Congress, we are also conducting an inventory of information sources and systems. The Legislative Reorganization Act of 1970, as amended by Title VIII of the Congressional Budget Act of 1974, requires the Comptroller General to develop and maintain an inventory of sources and information systems containing fiscal, budgetary, and program-related data and information and a brief description of their content. Executive agency responsibilities under this section of the Act include furnishing to the Comptroller General information as to the location and nature of such data and information.

Our initial step is to develop, with your help and cooperation, an understanding of present executive branch information capabilities. We are requesting your assistance in obtaining (1) existing directories, catalogs, and publications describing agency sources and information systems containing fiscal, budgetary and program-related data and information presently maintained by your organization; or (2) if such publications are not produced by your organization, summary listings of agency sources and systems with a brief description of their content.

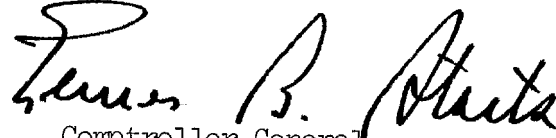
The enclosure contains guidelines for furnishing this information. Please send the existing agency publications (Item 1) to us by July 31, 1975. The summary listings and descriptions (Item 2) may be submitted by August 15, 1975.

We are assuming that the person designated by you as a result of my March 28, 1975, request will be our liaison for this request unless another individual is designated. We will be contacting this person at a later time for review and comment on our proposed future data requirements.

If you have any questions concerning this request, you may contact Mr. Kenneth W. Hunter on 376-5330 (IDS 196-65330) or Mr. Robert Jaxel on 376-5378 (IDS 196-65378) of our Office of Program Analysis.

Your continuing assistance and cooperation is appreciated.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James B. Stanta".

Comptroller General
of the United States

Enclosure

ENCLOSURE

GUIDELINES FOR IDENTIFYING
SOURCES AND INFORMATION SYSTEMS

In order that we can compile a useful and accurate inventory of sources and information systems containing fiscal, budgetary and program-related data and information, we ask your cooperation in preparing responses in accordance with the following guidelines.

GAO Contacts

For information about this request, please contact:

Mr. Kenneth W. Hunter	376-5330 (IDS 196-65330)
Mr. Robert Jaxel	376-5378 (IDS 196-65378)

Please send completed inventory responses to:

Mr. Kenneth W. Hunter
Assistant Director-In-Charge
Office of Program Analysis
U.S. General Accounting Office
Washington, D.C. 20548

Legislative Requirement for Inventory

Title VIII of P.L. 93-344, the "Congressional Budget Act of 1974", amended Title II of the Legislative Reorganization Act of 1970. Specifically, section 203(b) of the 1970 Act, as amended, states:

"The Comptroller General, in cooperation with the Director of the Congressional Budget Office, the Secretary of Treasury, and the Director of the Office of Management and Budget shall -

develop, establish, and maintain an up-to-date inventory and directory of sources and information systems containing fiscal, budgetary, and program-related data and information and a brief description of their content."

Uses for the Inventory

The inventory data you provide us will be used for the following purposes:

- a. To meet the requirements of P.L. 93-344, the Congressional Budget Act of 1974, by providing information to the Congress through inclusion in a Congressional Sourcebook.

- b. To provide congressional staffs assistance in obtaining fiscal, budgetary, and program-related data and information for congressional committees and members.
- c. To provide GAO with information on agencies' information sources to assist in refining and standardizing our future inventory requirements and procedures.

Instructions

1. Please provide existing directories, catalogs and publications describing agency sources and information systems containing fiscal, budgetary, and program-related data and information presently maintained by your organization.

- a. For purposes of this inventory the term "sources" includes such agency activities as data and information collection and analysis centers, clearinghouses and information centers, documentation centers, library and information networks and data use and access centers.
- b. "Information systems" includes organized collections of procedures and data bases used to store, update, manipulate, and generate information for specific purposes and functions.

Please submit all currently available publications of sources and information systems by July 31, 1975.

2. If sources and systems publications as described above containing fiscal, budgetary and program-related data are not produced by your organization, we would like to obtain the following information for our use in developing our inventory and in planning our work with you for the next few years to improve our inventories.

- a. For Information Sources - Provide a listing of your information sources containing fiscal, budgetary and program-related data and a brief description of the content and dissemination methods (200-250 words).
- b. Information Systems - Provide a listing of systems containing fiscal, budgetary and program-related data and information. Identify each system by title and include a brief description of the content, (200-250 words).

Please furnish this information to us by August 15, 1975.

3. Each source and system should be identified to the Department and agency/bureau or equivalent organizational level(s) responsible for its maintenance.

4. Please submit only unclassified publications in completing the sources and systems inventory. For classified publications of sources and systems, please note level of classification and provide unclassified short titles and an unclassified summary description.

5. Responsible person - In order that we may refer to a specific individual for follow-up information, and to respond to questions about the sources and systems directories and listings, please provide the name, telephone number, and office of the person who is directly responsible for preparation of the directory or listing.

6. New and updated information - Please place our name on your mailing lists to receive new and updated sources and systems publications as they are issued by your organization.